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MARCH 1992

A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

DON'T MISS! Hand tool merchandising p. 31

Distributors save press maker $400K

PAGE 20

How to sell to the pvf market p. 35

Turn your phone into a profit center p. 27

The Daily Distributu

VOL. XX/#X

MARCH 1, 1992

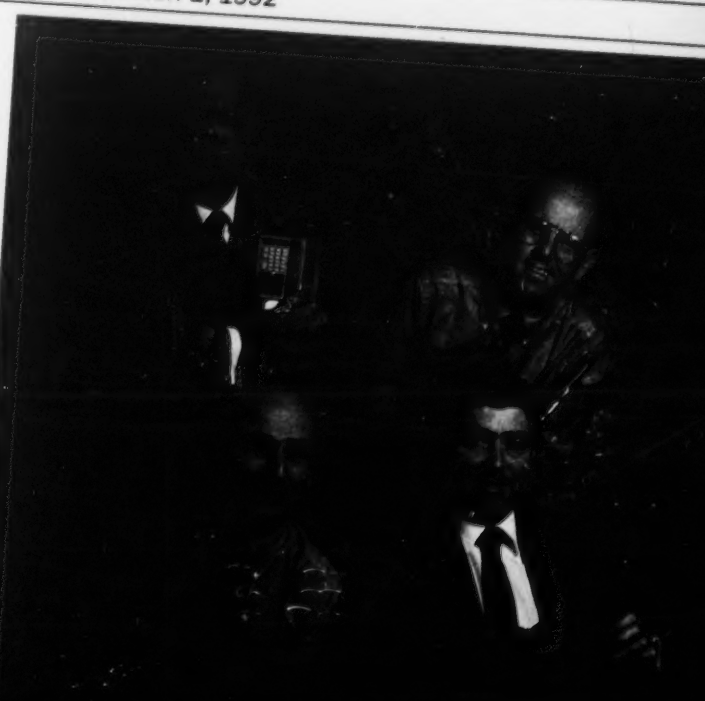
Distributors join forces to help Heidelberg Harris

By Steve Zurier, Senior Editor

It all started with Mickey Sharp's search for a better way to buy industrial supplies. Sharp, a contracting agent with Heidelberg Harris' purchasing department in Dover, N.H., was determined to reduce leadtimes, streamline paperwork and eliminate obsolescent inventory. But while he had specific goals in mind, precisely how to accomplish them was not as clear.

Originally, Sharp wanted to reduce his distributor base from 45 to one. He contacted five distributors with specific proposals. After careful review, Sharp determined that no single industrial distributor had the expertise to handle all his requirements. He then challenged the three contenders to come up with something more creative. After all, close to $3 million-a-year in OEM and MRO product was at stake. Sharp firmly believed that there had to be a way to get a group of key distributors to cooperate.

There was. Specialty Bolt's Kevin Queenin, one of the distributors interested in Sharp's cooperative concept, went to work. A



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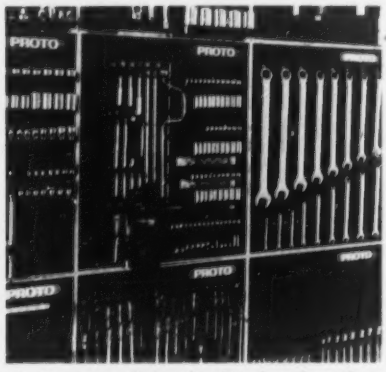
Mickey Sharp has found Heidelberg Harris a better way of buying.—p. 20

Get on-line with the future by tapping into a hot sales tool.—p. 27



Customers won't buy hand tools unless they know you've got 'em.—p. 31

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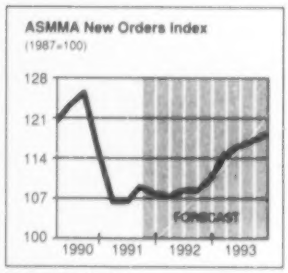
By Susan E. Farris

Growth for non-electrical machinery

Environmental regulations, exports, and pent-up demand will be the main driving forces.

Makers of non-electrical machinery were hurt by slow demand from U.S. markets last year. After seven years of robust growth, machinery output declined 1.9% in 1991. Total manufacturing capacity lingered below 80% for 1991, a level at which most manufacturers begin buying new equipment. This combined with a 4% fall in corporate profits for the year added up to a 2.3% decline in total manufacturing plant and equipment spending in 1991.

However, several factors are acting in favor of increased machinery demand for 1992. Higher spending on equipment to comply with pollution control legislation will call for major retooling, spurring demand for new machinery. The chemical and oil industries in particular are expected to be heavily spending on new equipment in order to comply with the Clean Air Act. Legislation mandating higher auto fuel economy means greater demand for machinery from auto makers. Finally, the planned North American free trade agreement will open doors for greater exports of non-electrical machinery in 1992 and beyond.



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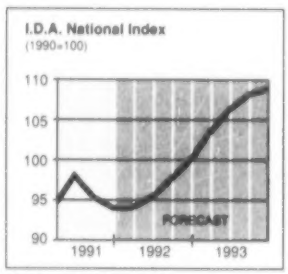

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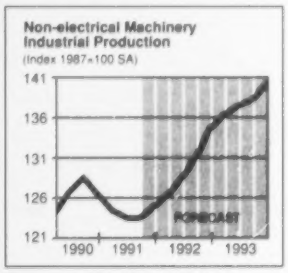
As the economic expansion heats up, manufacturing operating rates are expected to slowly creep up to 80% by mid-year, and reach 81.6% by the end of 1992. This, coupled with manufacturing capital spending forecast to grow 4.4% this year, should provide a good portion of the demand for non-electrical machinery. As producers find they need to replace existing equipment and expand capacity, production of non-electrical machinery is projected to grow 5.1% in 1992. The stronger components of non-electrical machinery are forecast to be engines and turbines, farm machinery and metalworking machinery, all of which are expected to show above average growth relative to total industrial output.

Non-electrical machinery will profit from growing overseas demand. In fact, the fastest growing markets for machinery are outside the U.S. Despite the economic slowdown last year in many of U.S. overseas markets, exports of capital goods surged 8.7% in 1991. Most countries already show signs of recovery, so expect capital goods exports to expand a further 7.6% in 1992.



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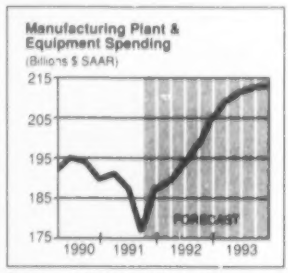

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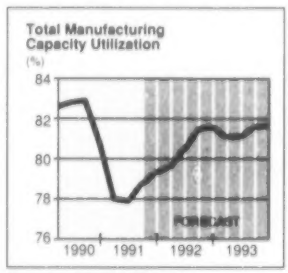

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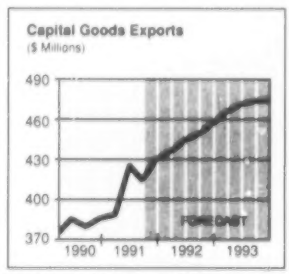

Data source: U.S. Department of Commerce
Forecast source: Cahners Economics

(1990=100)	SALES Dec. 1991	SALES Nov. 1991	SALES Dec. '91 vs Nov. '91 % change	RECEIVABLES Dec. 1991 days	INVENTORY Nov.-Dec. 1991 % change
TOTAL	86.2	89.7	-3.9	N/A	N/A
EAST	91.5	87.5	4.6	N/A	N/A
SOUTH	87.5	92.3	5.2	N/A	N/A
CENTRAL	84.5	91.1	7.2	N/A	N/A
WEST	81.1	84.9	4.5	N/A	N/A

SOURCE: Industrial Distribution Assn.